

RI00
Maryland Higher Education Commission – Capital

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)

Program	2022 Approp.	2023 Request	2024 Est.	2025 Est.	2026 Est.	2027 Est.
Community College Construction Grant Program	\$77.380	\$67.035	\$75.000	\$80.000	\$80.000	\$80.000
Community College Facilities Renewal Grant Program	3.794	18.352	3.750	4.000	4.000	4.000
Total	\$81.174	\$85.387	\$78.750	\$84.000	\$84.000	\$84.000

Fund Source	2022 Approp.	2023 Request	2024 Est.	2025 Est.	2026 Est.	2027 Est.
GO Bonds	\$3.794	\$67.035	\$75.000	\$80.000	\$80.000	\$80.000
PAYGO GF	55.880	18.352	3.750	4.000	4.000	4.000
Bond Premiums	21.550	0.000	0.000	0.000	0.000	0.000
Total	\$81.174¹	\$85.387	\$78.750	\$84.000	\$84.000	\$84.000

GF: general funds
GO: general obligation
PAYGO: pay-as-you-go

PAYGO Recommended Actions

1. Approve the \$18,352,000 in general funds for the Community College Facilities Renewal Grant Program.

¹ The 2022 appropriation total does not include the use of \$7.6 million from the Maryland Higher Education Commission Construction Grant Program contingency fund.

GO Bond Recommended Actions

1. Approve the \$67,035,000 in general obligation funding for the Community College Construction Grant Program.
2. Approve the preauthorization of \$32,060,000 in general obligation funding for the Community College Construction Grant Program for fiscal 2024.

Budget Overview of Grant and Loan Programs

The fiscal 2023 capital budget provides \$67 million of general obligation (GO) bond funds for the Community College Construction Grant Program (CCCGP) to fund 15 projects at 10 community colleges. This is \$10.3 million less than the State authorized in fiscal 2022 and \$20 million below the fiscal 2021 funding level. **Exhibit 1** shows the fiscal 2023 allowance by fund type, including the amount of fund balance used to supplement program funding in the previous two fiscal years.

Exhibit 1
Community College Construction Grant Program Funding by Fund Type
Fiscal 2021-2023
(\$ in Millions)

	<u>2021 Approp.</u>	<u>2022 Approp.</u>	<u>2023 Request</u>
General Obligation Bonds	\$87.324	\$21.500	\$67.035
PAYGO General Funds	0.000	55.880	0.000
Total Appropriation/Request	\$87.324	\$77.380	\$67.035
Use of Fund Balance	\$3.950	\$7.556	\$0.000
Total Annual Program Cost	\$91.274	\$84.936	\$67.035

PAYGO: pay-as-you-go

Note: The \$21.5 million of fiscal 2022 general obligation bond funds are derived from the bond premium proceeds.

Source: Department of Budget and Management

Exhibit 2 shows how funding levels for the program have changed since fiscal 2018. The fiscal 2021 authorization represents the peak funding level for this period, at \$87.3 million. In fiscal 2023, the allowance is \$67 million.

Exhibit 2
Community College Construction Grant Program
Fiscal 2018-2027
(\$ in Millions)



Note: Annual program funding amounts do not reflect the use of Maryland Higher Education Commission fund balance, which includes the use of prior authorized State funds not needed to complete projects.

Source: Department of Budget and Management

The pandemic brought a range of different results on community college enrollment with some reporting increases while others a decrease or no change in enrollment. Current projections of a 29% enrollment increase by 2030 will have to be closely monitored. While the colleges have enhanced their existing online learning infrastructure, which results in a substantial surplus of 357,000 net square feet in classroom space across all of the colleges excluding Baltimore City Community College (BCCC), which is a State entity, individual colleges experience different space pressures depending on their individual circumstances. In addition, federal, State, and county level affordable college initiatives may also impact enrollment and space needs calculations. Regardless of whether actual enrollment growth is in line with projections, the age of the building inventory remains high; 25% of State-supported gross square footage is 27 years old or greater.

Exhibit 3 summarize the proposed projects funded in fiscal 2023, including the current estimated project cost and funding plan. Fifteen projects at 10 community colleges are included.

Exhibit 3
Community College Construction Grant Program Proposed Projects
Maryland Association of Community Colleges Priority Order
Fiscal 2023
(\$ in Millions)

<u>Project</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>2023 Request</u>	<u>Future Request</u>	<u>Total State Share</u>
<p>College of Southern Maryland – Student Resource Center: Renovate the Health Technology Building on the college’s La Plata campus to create a Student Resource Center. The renovated facility will house the offices for various functions, including Admissions, Advising, Career Center, Testing Center, Welcome Center, Financial Aid, and Student Affairs. These offices are currently divided between two facilities, which are undersized. Project design commenced in November 2021; thus, the cost estimate supporting the project should be considered very preliminary and not informed by any design effort. The Department of Legislative Services (DLS) notes that the basic renovation square foot cost factor used in the estimate is comparatively low. The construction contract is expected to be bid and awarded in fall 2022 with construction commencement scheduled for December 2022. To the extent that the bids exceed the current estimate, the State would be asked to provide additional funds in fiscal 2024 currently not programmed for this project.</p>	\$5.400	\$1.629	\$2.421	\$0.000	75%
<p>Community College of Baltimore County – Essex – Wellness and Athletics Center Renovation and Addition: Renovate and expand the Wellness and Athletics Center to include a new fitness center, dance studios, and support space for the Athletics Program. The project will also include upgrades to several aging building systems. The cost of the project has increased by \$2.0 million over the previous estimate, which will be shared with Baltimore County based on the State-local cost share.</p>	13.000	4.444	2.056	0.000	50%
<p>Harford Community College – Chesapeake Welcome Center and Renovation and Addition: Renovate and expand the Chesapeake Center to create a Chesapeake Welcome Center. The building will include a modern performing arts center, expanded conference space, a visitors’ center, a food service facility, and other admissions and enrollment services. The project will reconfigure the layout of the building and upgrade systems infrastructure. Based on the design-development stage estimate from the design team, the total project cost increased by \$6.1 million</p>	38.317	3.674	7.655	8.980	53%

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<u>Project</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>2023 Request</u>	<u>Future Request</u>	<u>Total State Share</u>
from the fiscal 2022 estimate due to escalation in construction costs, which will be shared with Harford County based on the State-local cost share.					
Howard Community College – Mathematics and Athletics Complex: Construct a complex to house the Mathematics Department and Athletic Programs. The new building complex will meet the space needs of both programs, which are currently housed in outdated and undersized facilities. Throughout the design stage, significant value engineering efforts were conducted to keep the project within the \$101.6 million budget. The college adapted spaces and structural systems, identified efficiencies, and prepared early construction packages to lock in bids and prevent further escalation. The construction phase commenced in March 2021 and will be completed in July of 2024.	101.667	22.693	14.798	13.347	50%
Montgomery College – Silver Spring/Tacoma Park Campus – Catherine and Isiah Leggett Math and Science Building: Construct a new facility to house the campus Science, Technology, Engineering, and Mathematics programs. The programs are currently housed in six buildings, which have inadequate space and are in generally poor condition. The project will include demolition of the Falcon Hall and Science South buildings to facilitate the construction of the new facility. Construction commenced in November 2019 and is well underway. The cost estimate is based on bids and awards, and the fiscal 2023 State funds complete the commitment to the project.	91.003	41.563	3.939	0.000	50%
Prince George’s Community College – Marlboro Hall Renovation and Addition: Renovate and expand Marlboro Hall to upgrade building infrastructure, improve the layout of the building, and upgrade and expand classrooms for Liberal Arts; Social Sciences; and Business, Mathematics, and Learning Foundation curriculum courses. This project has been plagued by delays and cost escalation from the outset. More recently, the total project cost increased by \$14.2 million from the fiscal 2022 estimate due to abnormally high construction cost escalation due in part to the pandemic. A further complication arose late in calendar 2021 when the college informed the Department of Budget and Management (DBM) that the main architectural firm had left the project and that the associate architect would take over. The Department of General Services (DGS) is working closely with the college to monitor and provide guidance on this project. The fiscal 2023 funding	127.073	55.075	10.000	12.186	61%

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<u>Project</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>2023 Request</u>	<u>Future Request</u>	<u>Total State Share</u>
level is based on DGS’ recommendation and will provide sufficient funding to continue the project and prevent further delays while the college continues value engineering efforts, and the new main architectural firm is engaged. Design completion has been extended from March 2021 to May 2022.					
Wor-Wic Community College – Applied Technology Building: Construct a new Applied Technology Building and associated road and parking lot improvements. The new facility will house the college’s Supply Chain Management, Logistics, Transportation, Industrial Technology, and Alternative Energy programs. The college currently has insufficient space for these programs. Roadway improvements will allow for better vehicle circulation and pedestrian safety. The State funds proposed for fiscal 2023 are \$2.0 million more than last year’s estimate due to the abnormally high construction escalation since the onset of the pandemic, but the revised construction estimate is now based on the construction award.	38.395	17.272	11.525	0.000	75%
Chesapeake College – Learning Resource Center Chiller and Roof Replacement: Replace the chiller and roof of the Learning Resource Center (LRC) at Chesapeake College. These facility components are over 20 years old, are showing signs of significant deterioration, and have reached the end of their useful lives. LRC has temperature and moisture issues that make it uncomfortable for students and staff to utilize the building. If these building systems fail, the building will have to be closed. The Part I and Part II Program Plans are still under review by DBM but expected to be approved early enough for this small project to get underway early in fiscal 2023.	1.204	0.000	0.903	0.000	75%
Carroll Community College – Systemic Renovation: Replace building systems and a building envelope on the main campus of Carroll Community College. These systems include heating and cooling equipment, the fire alarm system, and the building envelope of Building A. These replacements will address deferred maintenance issues, improve student comfort, and reduce operating expenses. This project received what was intended to be its final State funding appropriation in fiscal 2020. However, the college seeks additional State support in fiscal 2023 due to a combination of underestimating project costs and extraordinary escalation in the current construction market. The project cost has more than doubled from the time the project last received State funds in fiscal 2020.	11.957	2.980	3.251	0.000	52%

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<u>Project</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>2023 Request</u>	<u>Future Request</u>	<u>Total State Share</u>
<p>Montgomery College – Silver Spring/Tacoma Park Campus – Library Renovation: This project will renovate the first and second floors of the Resource Center that compose the Takoma Park/Silver Spring Campus Library and construct various Resource Center building system improvements. In order to accelerate the project schedule, the county provided funds to start the design phase in advance of the State’s commitment to the project. Design commenced in September 2021, and the most recent \$10.1 million total project cost estimate is based on the early schematic design phase effort of the design team. Although the cost estimate worksheet supporting the project indicates that the county has confirmed the item costs based on past experience, DLS notes that the basic renovation square foot cost factor used in the estimate is comparatively low to similar projects. The construction contract is expected to be bid and awarded in fall 2022 with construction commencement scheduled for November 2022. To the extent the bids exceed the current estimate, the State would be asked to provide more than the \$1.3 million programmed for future State commitment in fiscal 2024.</p>	10.070	0.000	3.693	1.342	50%
<p>Hagerstown Community College – Second Entrance Drive Widening: Construct road and pedestrian infrastructure improvements to realign campus traffic and promote driver and pedestrian safety at Hagerstown Community College. The college’s rear entrance at Yale Drive will become the main campus entrance with completion of a new spur that crosses Antietam Creek and connects Eastern Boulevard. This site development and infrastructure project is expected to take 12 months to complete; therefore, the fiscal 2023 State contribution represents the entire commitment to the project.</p>	6.099	0.000	3.989	0.000	65%
<p>Community College of Baltimore County – Dundalk Campus – Student Services Center Renovation: Renovate second floor building systems in the Student Services building. Interior spaces will be reconfigured to create a more efficient layout and minimize duplicate circulation paths. This project will improve space and energy efficiency, make the facility code compliant, improve occupant comfort, and renew building systems. Design is scheduled to commence early in fiscal 2023; therefore, the current project cost estimate is very preliminary and not been informed by any design stage efforts.</p>	6.486	0.000	0.256	2.987	50%

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<u>Project</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>2023 Request</u>	<u>Future Request</u>	<u>Total State Share</u>
<p>Community College of Baltimore County – Multiple Building Roof Replacement: Remove and replace roofs on two buildings at the Catonsville and Essex campuses of the Community College of Baltimore County. This project will eliminate operating expenditures on repairs, person-hours spent on work orders, damage to the existing roof structural systems, damage to expensive and/or mission-critical equipment beneath the roof, and unscheduled down time of classrooms and other academic spaces. The county decided to start the design prior to the State’s commitment to the project and will therefore pick up a greater share of the project, 55% instead of the 50% allowed for in the Maryland Higher Education Commission cost-share formula.</p>	1.550	0.000	0.700	0.000	45%
<p>Community College of Baltimore County – Catonsville Campus – Student Services Center Renovation and Expansion: Renovate and expand the Student Services Center. This project will replace systemic infrastructure; reconfigure improperly sized spaces; correct code deficiencies; enhance energy efficiency; and address other functional deficiencies, design inadequacies, and life-safety issues. Issues of insufficient and inadequate space will be addressed. Design is scheduled to commence early in fiscal 2023; therefore, the current project cost estimate is very preliminary and has not been informed by any design stage efforts.</p>	31.825	0.000	1.170	14.743	50%
<p>College of Southern Maryland – Hughesville Campus – Hughesville Center for Health Sciences: Construct a new Center for Health Sciences (CHS) building to provide contemporary, state-of-the-art education and training programs for nursing and health science careers. The new CHS building will be the second building constructed on the Hughesville Regional Campus, which is centrally located to the College of Southern Maryland’s campuses in Calvert, Charles, and St. Mary’s counties, eliminating the poor location and insufficient program space experienced by the current programs offered in La Plata, which predominately serves Charles County residents. This project received what was intended to be its final State funding appropriation in fiscal 2021. The fiscal 2023 budget provides additional State funds due to extraordinary escalation in current construction costs.</p>	34.821	24.681	0.683	0.000	73%
Total	\$518.867	\$174.011	\$67.039	\$53.585	

Source: Department of Budget and Management

Community College Facilities Renewal Grant Program

The fiscal 2023 capital budget funds the facility renewal program at \$3.352 million in general funds, which is 5% of the \$67 million in funding allocated to the larger construction program as mandated in statute. In addition to the \$3.352 million that will be distributed evenly to eight community colleges, there is an additional \$15 million in general funds from the Dedicated Purpose Account (DPA).² DBM’s intent is to divide the funds equally among all sixteen community colleges, including BCCC, and each college can use its share when it is ready. As of September 1, 2021, there are 482 projects with a total cost of \$116 million on the Maryland Higher Education Commission’s (MHEC) master project list. While the DPA funding is significant, this enhancement is of a one-time nature and not programmed beyond fiscal 2023. The 5% statutory requirement is not enough to tackle this long list of projects in a timely fashion. Without DPA funding, the funding in this fiscal year would have been only \$3.4 million. **The committees should consider amending the statute to set the mandate at the greater of \$4.0 million, or 5%, of the amount of State funds authorized for the construction program to at least establish a mandated minimum funding level as well as to allow for additional program funding in fiscal years when the construction program is funded at a higher level.**

Exhibit 4 shows the distribution of the grants for fiscal 2023. As shown, equal sized grants of \$419,000 are distributed to BCCC, Carroll Community College, Frederick Community College, Garrett College, Harford Community College, Howard Community College, Hagerstown Community College, and Chesapeake College.

Exhibit 4
Community College Facilities Renewal Grant Program Recipients
Fiscal 2023
(\$ in Thousands)

<u>Community College</u>	<u>Award</u>
Baltimore City Community College	\$419
Carroll Community College	419
Frederick Community College	419
Garrett College	419
Harford Community College	419
Howard Community College	419
Hagerstown Community College	419
Chesapeake College	419
Total	\$3,352

Source: Department of Budget and Management

² The DPA was established in 1986 to retain appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain and to meet expenditure requirements that may be affected by changes in federal law or fiscal policies or other contingencies. MHEC will have five years to spend the amounts budgeted in the DPA. Any unspent balance will revert to the Rainy Day Fund. In order to access the funds in the DPA, the Department of Budget and Management will need to process a budget amendment to transfer funds to a capital appropriation account.

Preauthorizations

Exhibit 5 shows the proposed GO bond preauthorizations for the CCCGP. The capital budget bill includes a \$32.1 million GO bond preauthorization for fiscal 2024. These preauthorizations allow contracts to be approved for projects that will take more than one year to complete without having to authorize all of the funds in a single fiscal year.

Exhibit 5
Preauthorizations
Fiscal 2024
(\$ in Millions)

<u>Project</u>	<u>2024</u>
Harford Community College – Chesapeake Welcome Center Renovation and Addition	\$7.8
Howard Community College – Mathematics and Athletics Complex	11.7
Montgomery College – Takoma Park/Silver Spring – Library Renovation	1.3
Prince George’s Community College – Marlboro Hall Renovation and Addition	11.2

Source: Department of Budget and Management, 2021 *Capital Improvement Program*

Program Description

- **CCCGP:** The CCCGP assists counties in improving the facilities and infrastructure of locally operated community colleges. For regional colleges, State support may total up to 75% of project costs, while other community colleges receive between 50% and 70% of costs from the State, depending on the wealth of the jurisdiction, per § 11-105(j) of the Education Article. Under current guidelines, priority projects are those that incorporate certain project types, project phases, and facility categories. Additional factors include inventory status, age of facilities, funding history, and overall college priority. The combination of factors reflects the complexity of elements that impact project viability and funding priority. MHEC adopted slightly revised prioritization rules in February 2014 to ensure that the model used is in line with PlanMaryland and Green Building concepts. Every community college project must also address workforce shortage concerns and institutional capacity for the project. MHEC also oversees the cost-sharing formula for counties. Projects carry their assigned State share, without change, through the life of the project. Colleges must provide a guarantee that local funding is in place for a project before it is included in the capital budget.

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- ***Community College Facilities Renewal Grant Program (CCFRG):*** The CCFRGP is established by Chapters 687 and 688 of 2018 and administered by MHEC. The program provides grants for improvements, repairs, and deferred maintenance projects at the 16 community colleges in the State, including BCCC. Eligible projects may not have a total estimated project cost of \$1.0 million or more and must be submitted to MHEC as part of an annual master plan or 10-year master plan. Grants provided by the program are in addition to and may not supplant funds provided by the CCCGP. Each year, the Governor must appropriate 5% of the annual appropriation for the CCCGP to the CCFRG.